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SUBJECT: WEEKLY ECONOMIC REPORT - WEEK OF DECEMBER 11 - DECEMBER 17

1. (U) SUMMARY: Gasoline and diesel prices rose on December 11, and public transportation fares went up 50 percent on the 13th. Kinshasa's motor fuel supplies were adequate but the GDRC twice closed service stations without providing advance notice, causing confusion. The Congolese franc weakened on the parallel market to about 130 Congolese francs per US dollar. Hewa Bora Airways acquired a Lockheed 1011 aircraft. Another new GSM cellular phone service was launched on December 15. Two men were convicted of the December 7th attack on Central Bank Governor Masangu in which his bodyguard was killed. They were sentenced to death by a military court, and were executed in public, along with eight others, on December 14. Inflation rose sharply following the increase in fuel prices and public transit fares. END SUMMARY.

MOTOR FUEL

2. (U) The price of gasoline rose from 45 congolese francs (fc) to 70 fc and the price of diesel fuel rose from 40 fc to 66 fc on Monday, December 11. (On January 1, 2000, gasoline cost only 3.1 fc per liter; over the course of the year fuel prices have increased over 2000 percent.) Fuel stocks at SEP, the national distribution company, were adequate and no lines formed except on Wednesday and Sunday, when stations were closed.

3. (U) Fuel supplies currently in Kinshasa came from a new supplier. Rumors that this was a substandard product circulated throughout the city and were repeated in the press. The GDRC closed stations on Wednesday in order to perform tests on the quality of gasoline. The GDRC announced that the tests confirmed the quality of the product, although some contacts claim they also showed a lower lead content than past deliveries to Kinshasa.

4. Sunday's closure is part of a new policy to reduce consumption. Industry contacts believe this is appropriate, and say it was part of the package of measures attached to the price hike. The GDRC, however, made no public announcement about the Sunday closure, leaving motorists angry and confused. The price of black market fuel hit a new high on Sunday of about 200 fc per liter.

MONETARY UPDATE/EXCHANGE RATE

5. (U) The Congolese franc weakened on the parallel market to about 130 Congolese francs per US dollar. The official exchange rate remains 50 francs per dollar.

TRANSPORTATION

6. (U) Following the fuel price hike Monday morning, minibus and taxi owners kept their vehicles off the street pending a fare hike, leaving Kinshasa's commuters to make the long walk into the center city. On Tuesday evening, December 12, the GDRC raised public transportation fares 50 percent.

7. (U) The delivery of new and renewed drivers licenses was halted when the company contracted to produce them ran out of necessary imported materials. This follows recent similar interruptions in the supply of license plates and tax stamps.

LOCAL ECONOMIC NEWS

18. (U) Hewa Bora Airways (formerly Congo Airlines or CAL) acquired from Delta Airlines a Lockheed 1011 aircraft for use on passenger flights to Europe. A second L1011 will be delivered in the first quarter of 2001.

TELECOMMUNICATIONS

19. (U) Cellular phone service provider SAIT launched its "Oasis" GSM service on December 15. The GDRC's Office of Post and Telecommunications announced that it would provide cellular phone service in partnership with ZIDCO Holdings, a Zimbabwean company.

SECURITY

10. (U) On December 11 the Military Court sentenced two men to death for the December 7 attack on Central Bank Governor Jean-Claude Masangu. (Masangu's bodyguard and another man were killed in the attack.) On December 14 eight convicted men, including the two convicted of the Masangu attack, were publicly executed as a warning to other undisciplined members of security forces.

11. A local newspaper reported that Masangu was rumored to have offered his resignation following the attack. Masangu wrote a letter to the paper's editor denying the report and declaring his firm intention to continue to defend the Congolese franc and to fight against inflation.

12. (U) INFLATION FOR THE WEEK OF DECEMBER 4
INFLATION BY CATEGORY (IN PERCENT)

WEEK ENDING	11/30	12/08	12/15
FOOD	3	9	13
BEVERAGES	0	0	4
NON-FOOD	2	9	2
CLOTHING	0	0	0
RENTS	23	0	0
TRANSPORTATION	0	0	50
SCHOOL COSTS	0	0	0
UTILITIES	0	0	0
COMBINED FIGURES			
WEEKLY	3.5	3.6	18.1
MONTH TO DATE	8.6	3.5	22.0

Transportation cost increases and rain increased the price of locally produced food. Beer prices went up over 10 percent.

November inflation: 8.6 percent
Year to date (end November) 487 percent
Last 12 months inflation (end November): 605 percent
1999 Inflation: 333 percent

13. (U) EXCHANGE RATE DEVELOPMENTS

Exchange rates in Congo francs per US dollar

	1/30	12/08	12/15
CENTRAL BANK RATE	50	50	50
PARALLEL MARKET			
-KINSHASA	117-122	120-125	127-132
-LUBUMBASHI	112-115	118-121	128-131
-MBUJI MAYI	114-117	119-122	127-130

SWING